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C O N F I D E N T I A L SECTION 01 OF 03 COLOMBO 000557

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SUBJECT: AMBASSADOR DISCUSSES RECONSTRUCTION PROBLEMS WITH
PRESIDENT KUMARATUNGA

Classified By: Ambassador Jeffrey J. Lunstead FOR REASON 1.4(D).

This cable contains an action request - see para 7.

11. (C) SUMMARY: Ambassador told President Kumaratunga that reconstruction effort was running into problems, especially on transitional shelter, with monsoon season looming. There was a risk of major problems that could cost Sri Lanka the international good will it had achieved in the emergency phase. Problems included slow pace of land acquisition and customs duties/slow clearance of reconstruction goods. 100/200 meter exclusion zone was also causing problems. Kumaratunga promised to try to resolve land and customs problems, but was adamant on maintaining exclusion zone. Ambassador also said organization of reconstruction effort was a problem, since only President seemed to have authority to make decisions and enforce them, suggesting she appoint a Ministerial-level person to be in overall charge. President said she would consider this. Ambassador said we were not aware of threatening geological activity near Sri Lanka, and promised to get Kumaratunga more information on this. END SUMMARY

12. (C) Ambassador Lunstead called on President Kumaratunga on March 17. As Ambassador arrived, Kumaratunga was engaged with Education Secretary Tara De Mel. After a short discussion (lament) on the comparative costs of paying for children's college education--Kumaratunga has two children in the UK--Ambassador said that he had requested the meeting because of our concerns about some aspects of the reconstruction program. He was raising these issues as a friend, and knew that we all shared the same goals of an efficient reconstruction effort. He was not speaking on behalf of other donors, but knew that they shared many of our concerns. Sri Lanka had done very well during the emergency phase, sheltering and feeding people and averting the medical disaster that everyone feared. This had been in large part due to a "get it done attitude" in which officials bypassed normal procedures. We were very concerned now about what was happening in the more difficult reconstruction phase, especially in the transitional shelter program. It was moving very slowly, in part because officials seemed to be reverting to normal bureaucratic procedures. If the people now under tents and in other unsatisfactory shelter were not given something more substantial before the monsoon started (probably end-April), we would likely face an outbreak of disease (which we managed to stave off during the immediate relief phase). The good will which Sri Lanka had earned from the world could quickly turn sour as the media reported problems.

13. (C) Ambassador said that one of the major hindrances in the temporary shelter program was inability of the system to make land available. As an example, USAID had funded one NGO to build 4,000 shelters, but it so far had only received land for 250. The land problem was compounded by uncertainty about the 100/200 meter buffer zone. Perhaps some flexibility in application of the zone might be possible, at least in the provision of transitional shelter.

14. (C) President Kumaratunga replied that she was aware of the problems and was working hard to resolve them. One cause was an early and erroneous decision by the government to go straight to provision of permanent shelter. They now realized that was a mistake. She knew that land was a problem, but thought that sufficient land was now identified and would be allocated soon. At her request, Ambassador gave her a spreadsheet detailing USAID projects.

15. (C) With regard to the 100/200 meter exclusion zone, she said that she had made that decision personally and it was "completely scientific." In fact, she said, the zone should be as much as 500 meters, but that was not practical. She said that most of the populace within the 100 meter zone were eager to move--"only 5-10 percent don't want to go." (Ambassador politely demurred.) The Opposition UNP party was stirring up trouble among the exclusion zone inhabitants, but that was purely political. The fishermen were afraid for their boats and nets, she knew, and therefore the government would construct lockable boat shelters, and the fishermen could take turns guarding them at night.

16. (C) Ambassador said that it might be more practical to allow people to remain and rebuild closer to the shore, but

provide a good warning system so they could evacuate in case of a threat. This was the system followed in Hawaii, for instance. Kumaratunga said that was practical for the US, where buildings could be constructed to withstand a tsunami, but not for Sri Lanka, where the buildings would be destroyed. In Tamil Nadu, she said, there was a pre-existing 500 meter exclusion zone, and this had saved many lives when the tsunami hit.

17. (C) Kumaratunga added that Sri Lanka was in greater danger now because the chance of a nearby earthquake had increased. Ambassador said that after the President had mentioned this during her conversation with former Presidents Bush and Clinton, and specifically the existence of a new fault line 300 kilometers east of Sri Lanka, we had contacted the US Geological Survey. Geologists there had told us they knew of no such new fault line, but would look into it further, and had sent us a map detailing the faults in the area off the coast of Sumatra. Ambassador presented Kumaratunga a copy of the map. Kumaratunga was quite interested, and asked if we could get any further information, which Ambassador promised to try to do. ACTION REQUEST: Would appreciate if Dept could work with USGS and/or other applicable USG agencies to provide some material for President Kumaratunga.

18. (C) Ambassador said that another problem slowing up reconstruction was imposition of customs duties on reconstruction supplies and slow clearance from the port. He had discussed this several times with Finance Secretary PB Jayasundera, and some progress had been made, but the situation was still not satisfactory. USAID grantees, for instance, were still having problems clearing their goods and were being asked to pay VAT, in contravention of a decades-old agreement between our two governments.

19. (C) Kumaratunga said she was aware of this problem also. Some of the duties imposed were correct, she said. For instance, with the rice harvest about to begin in Sri Lanka, they would not allow duty-free entrance of rice. She asked Ambassador to send her a letter detailing the specific items which USAID grantees were unable to clear, and she would see that they were taken care of. Ambassador responded that he would send such a letter, but the real issue was not specific items, but the overall policy.

110. (C) Ambassador then said that the course of the conversation had highlighted a major organizational problem in the reconstruction effort. There were a number of GSL agencies involved--TAFREN, TAFROR, the line Ministries, the Government Agents in the field--but there was no one person in overall charge except the President. She had mentioned a number of cases where she had to make the decision. There was no way that she could spend all of her time on reconstruction and still run the country. Donors could not call her three or four times a week, every time they needed a problem resolved. President acknowledged the problem, but said that donors should contact TAFREN head Mano Tittawela when they had overarching problems. Ambassador responded that Mano, as competent as he was, could not give orders to others such as Finance Secretary Jayasundera. Perhaps she could appoint someone with Ministerial rank in overall charge who could make things happen. Kumaratunga thanked Ambassador for raising this and said she would think about appointing someone--musing that perhaps it should be Finance Minister Amunagama.

111. (C) Ambassador then discussed issue of a "joint mechanism" with the LTTE for reconstruction efforts in North and East. Report follows Septel.

112. (C) COMMENT: Our guess is that this is the frankest assessment CBK has received from anyone. Entire discussion was held in a friendly, cooperative and problem-solving manner. We hope President will now intervene to see that land for transitional shelter is allocated more quickly. Unfortunately, she seems adamant on 100/200 meter exclusion zone. Appointment of a Ministerial-level figure with some political weight as a "reconstruction czar" would be useful, if she does it--and if she appoints the right person. We are not sure the Finance Minister has the assertiveness needed for the role. President needed to hear these points, and she has. We will now see what she does with them.

LUNSTEAD